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SUBJECT: LONG TRUCK LINES LIKELY TO CONTINUE ALONG LATVIAN-RUSSIAN
BORDER

¶1. (U) Summary: A combination of factors, specifically, a significant increase in trade from the EU to Russia; a lack of action thus far to modernize and increase the capacity and efficiency of Russian checkpoint operations; and the lack of attractive alternative routes, have caused extended delays for truck drivers in recent months who have been forced to wait, sometimes more than three days, to transport goods from Latvia into Russia. Customs officials expect long delays, which began last year, to continue into the foreseeable future with the summer months and October to November experiencing peak traffic flows. Latvian officials in the near term are focusing efforts and resources on improving the conditions for truck drivers and local residents at the three major crossing points, Terehova, Grebneva, and Vientuli, while leaders at the national and EU level negotiate a resolution. End Summary.

¶2. (U) As in Finland and Estonia, long lines of trucks have formed at Latvia's border with Russia. This is a problem that has been growing in recent years. PolEconOff recently visited the border crossing points Terehova, Grebneva, and Vientuli and discussed the issue of long truck lines and inspection delays with Latvian Customs and Border Guard officials. A record line of more than 2000 trucks in August with drivers waiting an average of 23 hours at Terehova and approximately 20 hours at Grebneva prompted the visit. Vientuli, which has been closed to truck traffic since 2004, may be reopened and expanded to help alleviate congestion at the other two border posts. PolEconOff also met with Valdis Trezins, President of the Latvian Association of Road Carriers (Latvijas Auto), a trucking association, to better understand the issue from the truck driver's perspective.

¶3. (U) According to Eurostat, EU exports of goods to Russia between 2000 and 2006 more than tripled in value, from 22.7 billion euro to 72.4 billion. Russia is now the third most important trading partner for the EU, after the United States and China. As a result, land cargo shipments from the EU to Russia have increased. According to Latvijas Auto, truck flow in August 2007 increased 50 percent since the same month last year. However, while EU-Russia trade flow has increased significantly, Russia has failed to modernize and increase the capacity of its border crossing points and to improve the efficiency of its inspection process. The two Russian checkpoints Burachki, which is located at Latvia's major crossing point Terehova, and Ubylinka, the corresponding border post to Latvia's second busiest crossing point Grebneva, were built in the 1990s and are equipped to handle a maximum flow of 450 and 250 trucks per day, respectively. To meet that potential, the duration of the inspection process on the Russian side, if inspections were carried out 24 hours a day, would have to average 3.2 minutes at Burachki and 5.8 minutes at Ubylinka. However, according to Latvian Customs officials, the inspection process for each truck crossing from Latvia to Russia takes two to three hours. A spokesperson from Latvia's Ministry of Transportation said publicly that inspection on the Russian side can sometimes take up to eight hours per truck. In comparison, inspections from Russia to Latvia take about two to

three minutes per truck.

¶4. (U) The lack of attractive alternative truck routes has also contributed to an increase in traffic at the Latvian-Russian border. According to Customs and Trucking Association officials, Western companies shipping to Russia prefer to keep their goods in the EU for as much of the journey as possible. Truck drivers, for example, who used to cross Belarus, say they no longer do because the risk that Belarusian Customs officials will confiscate their cargo for a minor infraction has become too high. Scandinavian and Estonian routes are possible alternatives, but they are farther and more expensive than routes through Latvia.

¶5. (U) Shipping via railroad poses its own problems. The routes are more complicated and more expensive as Russia charges high tariffs on railroad transportation from abroad. In 2005, Latvijas Dzelzceļš (Latvian Railways) had a cargo turnover of 54.9 million tons, but in 2006 cargo turnover fell by 11.2 to 48.7 million tons, according to official statistics. The continuing asymmetry between European and Russian rail gauges (which are used in the Baltic States from Soviet days) makes it impractical to imagine much increase in rail traffic, except for items that enter Latvia by sea and are then transferred to rail. The recent unveiling of new container trains for the transport of Chinese transit goods arriving by sea at the ports of Riga and Liepaja, which are destined for Moscow, will reduce somewhat the number of containers transferred to trucks. However, at the moment, the new container trains are only carrying 82 containers from Riga and 50 containers from Liepaja once a week.

¶6. (U) Until Russia improves the efficiency of its inspection process and the capacity of its border posts, Latvia is limited to improving the management of the ongoing problem of long truck lines on its side of the border. For example, construction of freight vehicle parking lots has already begun, and more portable toilets and trash receptacles along the lines have been installed. To reduce air and noise pollution and to give truck drivers a rest, drivers are organized based on the perishability of their cargo and allowed

to turn off their engines and sleep until a specified time. We saw no signs of trash or criminal activity during our visit and road conditions allowed us to pass the lines easily. According to press reports, Latvia's Ministries of Transport, Finance, and Interior would need to jointly spend LVL 307.6 million (roughly 628 million dollars) until 2010 to modernize and rebuild the crossing points at Terehova, Grebneva, and Vientuli to improve conditions for truck drivers as well as local residents. They plan to receive more than half of that sum, LVL 153.9 million (roughly 315 million dollars), from EU structural funding.

¶7. (U) Latvian and Russian government officials have focused on reopening a border crossing point in Vientuli, which was closed to trucks in 2004 due to the weak infrastructure of a bridge on the Russian side and has since handled only passenger traffic. Construction of a much larger inspection facility at Ludonka, Russia's corresponding border post to Vientuli, was visible from the Latvian side of the border. However, truck drivers do not view Vientuli as an attractive option to Grebneva, which is about 70km south, because of its narrow roads; unreliable bridge; and its isolated location, which is difficult to access and too far north for shipments destined for Moscow, where 95% of cargo trucks from the EU are directed, according to the president of Latvia's Trucking Association. Seventy-five percent of the most direct road from Grebneva to Vientuli is gravel.

¶8. (U) A more attractive option for truck drivers is the border crossing point in Opuli, where the Latvian government also plans to build a modern border post to better handle truck traffic. Located 70km north of Terehova, it is a closer and a far easier alternative route to access when backups occur at Terehova, which has experienced the highest volume of traffic since long truck lines started to form in 2006. We, however, did not see any construction work at Mogili, Russia's corresponding border post.

¶9. (U) At Terehova, most of the truck drivers come from Lithuania (45-51%), Latvia (20-22%), Russia (15%), and Poland (8-10%). At Grebneva, truck drivers from Lithuania account for about 42% of all trucks, followed by Latvia (about 31%), Russia (about 16%), and Poland (about 6%), according to Customs. While most trucks from the

EU to Russia are full of goods, from machinery and chemicals to manufactured goods and transport equipment, trucks transiting from Russia to the EU are often empty, according to Latvian Customs officials. Truck drivers add that while road conditions in Latvia are not good, allowing for speeds of up to 70km per hour, road conditions on the Russian side are much worse, allowing for speeds of 50km per hour or less.

¶10. (U) Officials in Latvia's Ministry of Foreign Affairs tell us that improving the situation is a key task of the Latvian-Russian intergovernmental commission. The Latvians are willing to consider expanding existing checkpoints, opening new ones, and modernizing the inspection process. At present, the GOL is considering projects such as advanced electronic information sharing among the various border crossing points. The Latvian State Revenue Service and other government institutions plan to announce project approvals in early ¶2008.

¶11. (SBU) Comment. As we can see, the causes behind the ongoing issue of long truck delays at the Latvian-Russian border are more pragmatic than political. Although, as the president of Latvia's Trucking Association pointed out, the political will to improve Russia's checkpoint operations at Burachki and Ubylinka, in the near term at least, probably suffers from a lack of any strong power clan in the region to lobby for greater commitment from the Kremlin. Also, with businesses unlikely to find cheaper, more efficient and direct routes to deliver their products to the Russian market, and with Latvia due to join the EU's Schengen border-free zone on December 21, long truck lines look set to continue, if not worsen, over the next two years as trade flow from the EU to Russia continues to grow. In the mean time, Russia's failure to modernize and increase the capacity of its border crossing points and to improve the efficiency of its inspection process will delay the development of the region as a whole and dampen Latvia's desire to build itself as a transit economy between East and West.

SELDOWITZ